

Minneapolis Community Development Agency

Request for City Council Action

Date: October 17, 2002

To: Council Member Lisa Goodman, Community Development Committee,

Refer to: MCDA Board of Commissioners

Prepared by, Nila McDonald, Business Finance, Phone 612-673-5189

Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: A Public Hearing and Request for Preliminary and Final Approval of up to \$1.2 Million in 501(C)(3) Bank Direct Tax-exempt Minneapolis Community Development Agency Revenue Bonds, Series 2002, for the Friends School of Minnesota.

Previous Directives: None

Ward: N.A.

Neighborhood Group Notification: N.A.

Consistency with *Building a City That Works*: N.A.

Comprehensive Plan Compliance: This project complies with the policies of the Minneapolis Plan.

Zoning Code Compliance: N.A.

Impact on the MCDA Budget:

☐ No financial impact

☐ Action requires an appropriation increase to the MCDA Budget

☐ Action provides increased revenue for appropriation increase

☐ Action requires use of contingency or reserves

☒ Other financial impact (Explain): The issuance of 501(C)(3) tax-exempt revenue bonds will generate annual administrative fees that are used to support the small business assistance programs of the City.

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Living Wage/Business Subsidy: Does not apply.

Job Linkage: Does not apply.

Affirmative Action Compliance: Does not apply.

RECOMMENDATION:

City Council Recommendation: The Interim Executive Director recommends that the City Council adopt the attached Resolution, a summary of which will be published following a Public Hearing held on October 17, 2002 notice of which was published in Finance and Commerce on September 28, 2002, giving Preliminary and Final Approval to the issuance of up to \$1.2 Million in Tax-exempt 501(C)(3) Bank Direct Minneapolis Community Development Agency Revenue Bonds, Series 2002, for Friends School of Minnesota.

MCDA Board Recommendation: The Interim Executive Director further recommends that the City Council forward this report to the Minneapolis Community Development Agency Board of Commissioners for their approval and adoption of the attached resolution; giving Preliminary and Final Approval of up to \$1.2 Million in Tax-exempt 501(c)(3) Bank Direct Revenue Bonds, Series 2002, for Friends School of Minnesota.

Background/Supporting Information

PROJECT LOCATION & DESCRIPTION:

Friends School of Minnesota is a private K-8 school and 501(C)(3) nonprofit organization which has been in existence since 1998. They are located at 1365 Englewood Avenue in St. Paul.

Friends School provides both professional employment and an education alternative for Minneapolis residents. Current Friends School employees consist of 57% Minneapolis residents and 33% of the students come from Minneapolis.

TYPE OF FINANCING:

Saint Paul issues in excess of \$10 million in bonds a year and therefore is not Bank Qualified, it is for that reason that Friends School has approached the MCDA to issue \$1.2 million in Bank Qualified Bonds. The bonds would be used to refinance the debt incurred when they purchased their Saint Paul facility in 1997.

Sources:

Bond Proceeds	\$1,200,000
Total	\$1,200,000

Uses:

Refinance Existing Debt	\$1,175,000
Issuance Costs	25,000
Total	\$1,200,000

Note: Copies of the following bond documents are on file with the Minneapolis Community Development Agency and can be reviewed by contacting Virginia Parent, Board Coordinator, at 612-673-5136.

1. Loan Agreement
2. Pledge Agreement

<u>PRESENT EMPLOYMENT:</u>	28
<u>NEW EMPLOYMENT:</u>	N.A., refinance.
<u>ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE:</u>	N.A., located in Saint Paul.
<u>AFFIRMATIVE ACTION COMPLIANCE:</u>	N.A. refinance.
<u>MCDA IRB POLICIES:</u>	
Job Component	Minimum standard of one (1) job per 1,000 square feet of building area. <u>Friends School of Minnesota: N.A.</u>
Property Improvements	No more than 25% of the bond proceeds may be used for land and acquisition. If purchasing an existing building, an amount equal to at least 15% of the acquisition cost must be spent on rehabilitation expenditures. <u>Friends School of Minnesota: N.A.</u>
Development Standards	Compliance with the Land Use Plan of the City's Comprehensive Plan. <u>Friends School of Minnesota: In compliance.</u>
Equipment Financing	Limited to companies that create or preserve a significant number of jobs, and the equipment financed must be sufficiently secured. No more than 10% of the bond proceeds may be used to finance movable equipment not constituting a fixture. <u>Friends School of Minnesota: N.A.</u>

Restaurant/Bank	IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in an MCDA Redevelopment Area. No more than 25% of the bond proceeds can be used to finance retail food and beverage establishments, automobile dealerships or recreation or entertainment facilities.
	<u>Friends School of Minnesota: N.A.</u>
Tax-exempt Institution	Refinancing is permitted when new jobs are created or when a significant number of jobs is preserved; any interest cost savings must directly reduce patient costs.
	<u>Friends School of Minnesota: N.A.</u>
<u>IRB CAP:</u>	The project is not subject to the volume cap, in that the project is exempt from income tax under Internal Revenue Code Section 501(c)(3) for its exempt purposes and is classified thereunder as a non-profit organization.
<u>BOND COUNSEL:</u>	Gray, Plant & Mooty
<u>UNDERWRITER:</u>	Bremer Bank of St. Paul
<u>PARTICIPATING BANK:</u>	Bremer Bank of St. Paul

Giving preliminary and final approval to and authorizing a project on behalf of Friends School of Minnesota (the "Company"), and authorizing the issuance of a revenue bond of the Minneapolis Community Development Agency therefor.

Whereas, pursuant to Laws of Minnesota 1980, Chapter 595, as amended ("Chapter 595"), the City Council of the City of Minneapolis, Minnesota (the "City") established the Minneapolis Community Development Agency (the "Agency") and granted certain powers and duties to the Agency; and

Whereas, pursuant to such granted powers, the Agency has been authorized to issue revenue bonds for the purpose of providing financing for the acquisition, construction and installation of projects consisting of properties, real or personal, used or useful in connection with a revenue-producing enterprise, whether or not operated for profit; and

Whereas, it has been proposed that the Agency issue a revenue bond in the amount of not to exceed \$1,200,000 (the "Bond") to refinance a building containing a K-8 school located in the City of St. Paul (the "Project"); and

Whereas, the Agency and the City of St. Paul will enter into a Joint Powers Agreement to enable the financing of the Project by the Agency; and

Whereas, the Agency expects to give final approval to the issuance of the Bond by a resolution to be adopted on the date hereof; and

Whereas, the Bond shall bear interest at an initial interest rate not to exceed five percent (5.50%) per annum, shall have a final maturity date not later than December 1, 2022, and shall have such other terms as required or permitted by the Agency's resolution, which terms are to be incorporated herein by reference;

RESOLUTION

of the

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

By _____

Relating to the Minneapolis Community Development Agency Revenue Bond (Friends School of Minnesota Project) Series 2002; authorizing the issuance thereof pursuant to Minnesota Statutes, Sections 469.152 to 469.1651, as amended.

Be It Resolved by the Board of Commissioners (the "Board") of the Minneapolis Community Development Agency (the "Agency"), as follows:

Section 1. **Definitions.**

1.01. In this Resolution the following terms have the following respective meanings unless the context hereof or use herein clearly requires otherwise:

"Act" means Minnesota Statutes, Sections 469.152 to 469.1651, as amended;

"Agreement" means the Loan Agreement to be entered into between the Agency and the Borrower relating to the Bond;

"Bond" means the Revenue Bond (Friends School of Minnesota Project), Series 2002 to be issued by the Agency pursuant to this Resolution in the principal amount of up to \$1,200,000;

"Bond Documents" means the Agreement, the Pledge Agreement, the Joint Powers Agreement and the Bond;

"Borrower" means Friends School of Minnesota, a Minnesota nonprofit corporation, its successors and assigns;

"City" means the City of Minneapolis, Minnesota;

"Holder" means Bremer Bank National Association, as holder of the Bond, and its successors and assigns;

"Joint Powers Agreement" means the Joint Powers Agreement to be entered into between the Agency and the City of St. Paul with respect to the refinancing of the Project;

"Pledge Agreement" means the Pledge Agreement to be entered into between the Agency and the Holder relating to the Agreement and the Bond;

"Project" means the K-8 school to be refinanced with the proceeds of the Bond, as further defined in the Agreement;

"Resolution" means this resolution of the Agency.

Section 2. Findings.

2.01. It is hereby found and declared that:

(a) based upon representations made to the Agency by representatives of the Borrower as to the nature of the Project as described in the Agreement, the Project constitutes a project authorized by the Act;

(b) the purpose of the Project is and the effect thereof is to promote the provision of nonprofit educational facilities;

(c) the refinancing of the Project, the issuance and sale of the Bond, the execution and delivery of the Bond Documents and the performance of all covenants and agreements of the Agency contained in the Bond Documents and of all other acts and things required under the Constitution and laws of the State of Minnesota to make the Bond Documents valid and binding obligations of the Agency in accordance with their terms are authorized by the Act;

(d) it is desirable that the Bond be issued by the Agency upon the terms set forth herein and that the Agency pledge its interest in the Agreement and grant a security interest therein to the Holder as security for the payment of the principal of, premium, if any, and interest on the Bond;

(e) the loan payments contained in the Agreement are fixed and are required to be revised from time to time as necessary, so as to produce income and revenue sufficient to provide for prompt payment of the principal of, premium, if any, and interest on the Bond when due, and the Agreement also provides that the Borrower is required to pay all expenses of the operation and maintenance of the Project, including, but not limited to, adequate insurance thereon and all taxes and special assessments levied upon or with respect to the Project and payable during the term of the Agreement;

(f) under the provisions of the Act, the Bond is not to be payable from nor charged upon any funds of the Agency or City other than the revenue pledged to the payment thereof; the Agency and City are not subject to any liability thereon; no Holder of the Bond shall ever have the right to compel any exercise of the taxing power of the Agency or City to pay the Bond or the interest thereon nor to enforce payment thereof against any property of the Agency or City; the Bond, premium, if any, and interest thereon shall not constitute an indebtedness of the Agency or City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the Agency or City or a charge against their general credit or taxing powers and shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Agency or City;

(g) the execution and delivery of the Bond Documents shall not conflict with or constitute, on the part of the Agency, a breach of or a default under any existing agreement, indenture, mortgage, lease or other instrument to which the Agency is subject or is a party or by which it is bound; provided that this finding is made solely for the purpose of estopping the Agency from denying the validity of the Bond Documents by reason of the existence of any facts contrary to this finding;

(h) no litigation is pending or, to the best knowledge of the members of this Board, threatened against the Agency questioning the organization of the Agency or the right of any

officer of the Agency to hold his or her office or in any manner questioning the right and power of the Agency to execute and deliver the Bond or otherwise questioning the validity of the Bond or the execution, delivery or validity of the Bond Documents or questioning the pledge of revenues to payment of the Bond or the right of the Agency to loan the proceeds of the Bond to the Borrower;

(i) all acts and things required under the Constitution and the laws of the State of Minnesota to make the Bond Documents the valid and binding limited obligations of the Agency in accordance with their terms shall have been done upon adoption of this Resolution and execution of the Bond Documents; provided that this finding is made solely for the purpose of estopping the Agency from denying the validity of the Bond Documents by reason of the existence of any facts contrary to this finding; and

(j) the Agency is duly organized and existing under the Constitution and the laws of the State of Minnesota and is authorized to issue the Bond in accordance with the Act.

Section 3. Authorization and Approval of Documents.

3.01. **Authorization.** The Agency is authorized by the Act to issue revenue bonds and loan the proceeds thereof to finance the acquisition, construction and installation of facilities constituting a "project" as defined in the Act, and to make all contracts, execute all instruments and do all things necessary or convenient in the exercise of such authority.

3.02. **Approval of Documents.** Pursuant to the foregoing, there have been prepared copies of the following documents, all of which are now or shall be placed on file in the office of the Agency:

- (a) the Agreement;
- (b) the Pledge Agreement;
- (c) the Joint Powers Agreement; and
- (d) the Bond.

The forms of the documents listed above are approved, with such variations, insertions and additions as are deemed appropriate by the parties and approved by the Agency.

Section 4. **Execution of Bond Documents.**

4.01. Upon the completion of the Bond Documents approved in Section 3.02 hereof and the execution thereof by the other parties thereto, the Executive Director (or Deputy Executive Director) and the Finance Officer (or Assistant Finance Officer) shall execute the same on behalf of the Agency, and the foregoing persons and other officers of the Agency shall execute such other certifications, documents or instruments as bond counsel shall require, subject to the approval of the Agency, and all certifications, recitals and representations therein shall constitute the certificates, recitals and representations of the Agency. Execution of any instrument or document by one or more appropriate officers of the Agency shall constitute and shall be deemed the conclusive evidence of the approval and authorization by the Agency and the Board of the instrument or document so executed.

Section 5. **The Bond.**

5.01. **Form and Authorized Amount.** The Bond shall be issued substantially in the form on file with the Agency on the date hereof with such appropriate variations, omissions and insertions as are permitted or required by this Resolution. The terms of the Bond are set forth therein, and such terms, including, but not limited to, provisions as to interest rate, dates and amount of payment of principal and interest and prepayment privileges, are incorporated by reference herein. The initial interest rate on the Bond shall not exceed an annual rate of 5.50%.

5.02. **Execution.** The Bond shall be executed on behalf of the Agency by the persons described in Section 4.01 hereof. In case any officer whose signature shall appear on the Bond shall cease to be such officer before the delivery thereof, such signature shall, nevertheless, be valid and sufficient for all purposes.

5.03. **Delivery and Use of Proceeds.** Prior to delivery of the Bond, the documents referred to in Section 3.02 hereof shall be completed and executed in form and substance as approved by the Agency. The Agency shall thereupon deliver to the Holder the Bond together with a certified copy of this Resolution and such closing certificates as are required by bond counsel.

Section 6. **Limitations of the Agency's and City's Obligations.**

6.01. Notwithstanding anything contained in the Bond Documents, the Bond and any premium and interest thereon shall not constitute an indebtedness of the Agency or City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the Agency or City or a charge against their general credit or taxing powers and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the Agency or City, and no Holder of the Bond shall ever have the right to compel any exercise of the taxing power of the Agency or City to pay the Bond or the interest thereon or to enforce payment thereof against any property of the Agency or City. The agreement of the Agency to perform the covenants and other provisions contained in this Resolution or the Bond Documents shall be subject at all times to the availability of revenues furnished by the Borrower sufficient to pay all costs of such performance or the enforcement thereof, and neither the Agency or City nor any of their officers, employees or agents shall be subject to any personal or pecuniary liability thereon.

Section 7. **Agency Representative.**

7.01. The Executive Director or Deputy Executive Director of the Agency is hereby designated and authorized to act on behalf of the Agency for purposes of the Bond Documents.

Section 8. **Governmental Program.**

8.01. The Bond is hereby designated as a "Program Bond" and is determined to be within the "Economic Development Program" and the "Program," all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.

Section 9. **Bank Qualification.**

9.01. In order to qualify the Bond as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), the Agency makes the following representations:

(a) The Agency hereby designates the Bond as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code;

(b) The reasonably anticipated amount of tax-exempt obligations (other than obligations described in clause (ii) of Section 265(b)(3)(C) of the Code) which will be issued by the Agency (and all subordinate entities whose obligations will be aggregated with those of the Agency) during this calendar year 2002 will not exceed \$10,000,000; and

(c) Not more than \$10,000,000 of tax-exempt obligations issued by the Agency during this calendar year 2002 have been designated as qualified tax-exempt obligations for purposed of Section 265(b)(3) of the Code.

GP:926218 v1

RECORD OF COMMISSIONER VOTE													
Commissioner	Aye	Nay	NV	Abs	Ovrd	Sust	Commissioner	Aye	Nay	NV	Abs	Ovrd	Sust
Benson							Niziolek						
Biernat							Ostrow						
Colvin Roy							Schiff						
Johnson							Zerby						
Johnson Lee							Zimmermann						
Lane							Goodman,						
Lilligren							chair						
Vote: NV - Not Voting			Abs - Absent			Ovrd - Vote to Override			Sust - Vote to Sustain				

ADOPTED _____ . _____ .
Chairperson

APPROVED
NOT APPROVED _____ . _____ .
VETOED Mayor